

## SENATE COMMITTEE ON TRANSPORTATION

January 13, 1999 Hearing Room C

3:00 p.m. Tapes 1 - 2

**MEMBERS PRESENT:** Sen. Marilyn Shannon, Chair

Sen. Mae Yih, Vice-Chair

Sen. Susan Castillo

Sen. Joan Dukes

Sen. Ted Ferrioli

Sen. Gary George

Sen. Lenn Hannon

**STAFF PRESENT:** Don Scott, Administrator

Valerie Luhr, Administrative Support

**MEASURE/ISSUES HEARD:** Organizational Meeting

Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 1, A		
<b><u>ORGANIZATIONAL MEETING</u></b>		
005	Chair Shannon	Calls the meeting to order at 3:10 p.m. Introduces committee members and staff. Asks members if they have reviewed the proposed committee rules.
014	Chair Shannon	<b>MOTION: Moves to ADOPT the proposed Committee Rules dated 12/29/98.</b>
		<b>VOTE: 5-0</b> <b>EXCUSED: 2 - George, Hannon</b>
	Chair Shannon	<b>Hearing no objection, declares the motion CARRIED.</b>

**INFORMATIONAL MEETING**

015	Chair Shannon	References a meeting with cities and counties about their transportation concerns. States she requested them to formalize their concerns before the committee.
021	Bill Penhollow	Association of Oregon Counties (AOC), introduces Steve McClure, chair of the counties' Finance and Administration Committee. Submits written testimony <b>[EXHIBIT A]</b> . Explains Judge Laura Pryor was unable to attend today and McClure will present an overview of county government <b>[EXHIBIT A]</b> .
034	Steve McClure	Commissioner, Union County, comments on the size and population of Oregon counties. States the counties have a unique position because of the services they provide, such as sheriff's departments, assessment and taxation, and property records. States the counties are facing financial problems in excess of \$50 million because of impacts from Ballot Measures 5 and 50. States Ballot Measure 50's double majority is also a problem. The voters have said property taxes are not acceptable to finance county services. States counties also face reduced O & C funding, which will continue to phase down at three percent a year until 2003. Counties have faced over a \$50 million reduction in federal forest payments, which are dedicated to roads. Union County averaged \$730 thousand per year, and this year revenues were \$175 thousand. Union County has over 600 miles of roads to maintain. States he does not see any improvement in forest timber receipts.
087	Penhollow	Reviews the overall revenue picture for the counties. States forest revenues have decreased from \$120 million in 1990 to \$60 million. Eighteen counties have fewer dollars for roads today than they had in 1990, which does not include an adjustment for inflation.
104	Penhollow	Reviews the statewide county road responsibility, page 4 <b>[EXHIBIT A]</b> .
123	Penhollow	Reviews the steady state scenario, page 5 <b>[EXHIBIT A]</b> . States because of reduced revenues the counties focus on operation, maintenance and preservation. About \$200 million is spent in this area, but the need is over \$300 million. The shortfall is about \$125 million. States when including the \$1.5 million needed for modernization and reconstruction, there is an approximate \$3 million annual gap. The counties are trying to address the problem, and there will be proposals to address revenues for roads this session.
150	Sen. Hannon	Asks how long it has taken to reach the level as illustrated in the graph on page 5. Asks if the one-percent efficiency gain is a projected gas tax increase.
	Penhollow	Explains the efficiency factor says the needs are actually one percent larger, but at least a percentage can be addressed through improved efficiencies in operations within the counties and other road jurisdictions.
163	Sen. Hannon	Referring to the graph on page 5, asks if there would be a greater disparity in the amounts if they were extended five years from 1999.
	Penhollow	Responds affirmatively. Explains counties were making headway on the needs backlog because of regular increases in the gas tax until the 1991 Session. Explains 31 counties will have fewer dollars when the federal guarantee goes away in 2003.
	Sen. Hannon	Asks how many of the nine counties have taken action to raise revenues.
185	Penhollow	States Commissioner McClure indicated five counties in 1997 submitted measures to the voters for local gas taxes and the measures failed. Some counties attempted

		to raise property taxes but failed. Several counties still use property taxesóabout nine percent of total county revenue for roads is raised from property taxes.
201	Sen. Dukes	Clarifies the 1986 comprehensive survey the counties did for roads and bridges was updated in 1993. Asks how the 1993 results of the survey compare with the results in the graph on page 5.
	Penhollow	Explains the graph is presenting the countiesí position updated to 1996. Clarifies the steady state concept said the dollars would take the system as it is today and keep it in the current state over the next 20 years. There would be no improvement in pavement conditions, and no improvement would be made in county road congestion.
	Sen. Dukes	Clarifies the counties need an additional \$550 million.
226	Penhollow	States they need an additional \$300 million.
	Sen. Dukes	States her assumption is they will have proposals to solve the funding problems during this session and they might include a gas tax increase. Asks if AOC looked at where the state and federal gas tax moneys go. States a fair amount of the federal money goes outside the Oregon Department of Transportation (ODOT) and asks if it makes a difference in the discrepancy.
246	Penhollow	Responds affirmatively. States revenues used in the studies made assumptions with regard to federal funds. States from the countiesí standpoint the projections used in 1993, revised in 1996, understate what is happening with federal funding. More revenues are being lost than projected. AOC shares the federal TEA 21 (Transportation Equity Act for the 21 <sup>st</sup> Century) funds with ODOT and cities--for surface transportation programs, bridges, and air quality enhancement.
276	Sen. Dukes	Clarifies she was referring to transportation money being spent on items peripherally related to transportation and that no longer come into the main transportation pieces. Asks if the counties have looked at how that might lessen the burden if they were brought back into the transportation picture.
	Penhollow	States they need to look into that. As the ODOT budget moves forward, they will need to check that the appropriate balance is going to roads. Under TEA 21, Congress provides flexibility to the states on how they use the funds.
293	Vice Chair Yih	Clarifies they have included the increase in federal funding in their annual estimates. States she understands there will be a \$100 million increase in federal funds.
	Penhollow	Thinks the committee needs to discuss the matter. Explains when federal legislation passed last summer, the headlines indicated Oregon would receive an additional \$111 million annually. However, after amendments were completed, the amount decreased to \$100 million. The spending limitation is 90 percent, and a portion of the funds was earmarked for special priority projects. The end amount is about \$55 million in new money.
335	Vice Chair Yih	Requests ODOT explain spending of the \$100 million to the committee.
342	Chair Shannon	References ODOTís budget for the last biennium--\$2.285 billion and the new projected budget is \$2.8 billion, a difference of \$515 million. States it would be interesting to see how the \$515 million is reduced to \$50 million.
	Penhollow	States he is not the person to give that information.

353	Sen. George	References the ODOT budget amounts from 1995-97. Indicates in 1995-97 cities and counties received \$462 million now will receive \$520 million. Questions the need to adjust amount.
367	Penhollow	<p>States the sharing of TEA 21 dollars has not been finalized. States dollars spent per capita are less than two to three years ago. In response to Sen. Dukesí previous comments, indicates the counties have proposed legislation similar to provisions in 1997is transportation bill. Indicates the counties will need to take a long-term, planned approach to address the shortfall. States AOCis endorsement of Associated Oregon Industriesí highway funding proposal but they have some qualifications. Begins review of three programs <b>[exhibit a]</b> included in their new legislation.</p> <ul style="list-style-type: none"> <li>• Forest Safety Net <b>[EXHIBIT A]</b>óa special \$3 million allocation for 12 eastern Oregon counties</li> </ul>
<b>Tape 2, A</b>		
029	Sen. Dukes	Clarifies the Forest Safety Net is in addition to the small county fund. States her county deals with road problems through a property tax district and is concerned this proposal will take money away from counties in the rest of the state.
043	Penhollow	Comments on revenues the eastern counties received in 1990.
	Sen. Dukes	Asks about the western Oregon counties that are being threatened by 300-foot forestry buffers, which would reduce their income.
	Penhollow	States the western counties have the federal guarantee.
	Sen. Dukes	Comments her county does not have the federal guarantee and the National Marine Fisheries Service set the 300-foot buffer.
055	Penhollow	States for those counties sharing in the federal forest revenues, either salmon or spotted owl, the spotted owl guarantee still applies. States revenues from the timber harvests have dropped by 80 to 90 percent, and the federal guarantee is what has saved western Oregon counties. Reviews the second program in their proposal, Oregonís fast growing counties (Clackamas, Marion, Multnomah, and Washington). Indicates 58 percent of stateís population growth from 1980 to 2000 will occur in these counties. Suggests addressing this part of AOCis proposal at another meeting. Comments on the third part of their proposal, the Special County Program <b>[EXHIBIT A, page 10]</b> , which is similar to the small cities program. Indicates both the counties and ODOT contribute resources to the program. Comments on the resources available per equivalent road miles (ERM). They propose doubling the program to \$1.5 million.
108	Sen. George	Comments on the per-lane-mile cost of repaving I-5 between Salem and Wilsonville.
	Penhollow	Indicates \$15 thousand per lane mile is low for an overlay. Will verify the figures. Summarizes the county road needs <b>[EXHIBIT A, page 11]</b> .
161	Vice Chair Yih	Asks why counties are tearing up roads and turning them to gravel.
165	Chair Shannon	Asks Penhollow if he is aware voters in the four counties turned down an increase in the vehicle registration fee.

	Penhollow	Responds affirmatively. States there was no way for counties to impose an equivalent tax on trucks. States the newspapers indicated it was a statewide concern and should not be addressed on a county-by-county basis.
	Chair Shannon	Requests further clarification of the \$10 fee.
	Penhollow	Clarifies it is an additional registration fee in the four counties.
191	McClure	In response to Vice Chair Yihi's questions, explains why Union County is turning roads to gravel. Indicates the roads were initially constructed inadequately, and the county cannot afford the maintenance. States gravel is a better surface than the roads' current condition. States in 1981 Union County had over 45 people in public works and are down to 24. States the county needs at least \$4 million per year to maintain their road system, and the current budget is \$2.6 to \$2.7 million. Discusses efficiencies Union County is using. Comments on the importance of snow removal in Union County. Expresses concern the county will not be able to maintain basic service levels if employment levels drop. Also, the county continues to struggle with declining federal forest receipts.
267	Sen. Ferrioli	Thanks Commissioner McClure for his testimony. Recognizes the counties that have suffered a loss of federal revenues. States in rural counties there is 65 to 68 percent federal management, and more than fifty percent in revenues is being lost. States half the dollars produced by federal timber sales go to roads and schools, and the other half goes to the federal treasury. Comments on sources of community revenues in addition to timber sales. Believes the state is not requiring federal agencies to manage to a standard that will restore wildlife and fisheries in rural communities at the cost of lost resiliency and the ability to support our communities. States it is tragic to allow full-stand replacement by catastrophic fire as the only management option. It pits one Oregonian against another by transfers out of the General Fund or increased taxes on motorists. Would like to address the failure of public policy at the federal level to require agencies to manage to a standard that would support communities including environmental issues.
324	Sen. Castillo	Thanks the witnesses for their testimony. Wants a transportation funding package passed this session. Requests clarification that in addition to a gas tax increase, they would also need the proposals presented today.
335	Penhollow	Explains a part of the increase would be to use the revenues to make a special allocation
350	Chair Shannon	References a map of state highways 22 and 18 in Polk County, and states in four years there were 658 accidents, 36 people were killed, and 667 were injured on those roads. Asks if there is a county with more highway deaths. Believes these are the most deadly state highways in Oregon and considerable county resources are being used for accident response. States her priority to make those roads safe.
	Penhollow	Will provide the information to the committee.
382	Dave Barenberg	League of Oregon Cities (LOC), introduces Joanne Verger, president of LOC, and Mark Yeager. Submits written testimony [EXHIBIT B].
390	Joanne Verger	Mayor, Coos Bay, appreciates the committee's focus on local governments. States their testimony will present an overview of city needs statewide and will focus on how a city transportation system operates and is funded and how expenditures are made. They will also address efforts to increase efficiency and ensure funds are spent in accordance with constitutional provisions. States transportation funding has reached critical levels, and cities raise about half the funds for transportation. Comments on the uniqueness of Coos Bay's priorities. States within the Coos Bay

		city limits, they try to look at their transportation needs as works in progress. They want to take care of the streets before they deteriorate too badly to keep costs down. Early maintenance is difficult because of dwindling resources. Comments on the importance of hearing from the business community and hopes the League of Oregon Cities can be a part of reaching solutions.
<b>Tape 1, B</b>		
019	Barenberg	Explains the testimony today will begin with what cities spend money on, how they manage a system, and making decisions at the city level and operating a transportation system. The city of Albany will be used as an example.
028	Vice Chair Yih	Welcomes Yeager.
032	Mark Yeager	Principal Utilities Engineer, City of Albany, begins a flip chart presentation <b>[EXHIBIT B]</b> . <ul style="list-style-type: none"> <li>• city road and bridge system</li> <li>• where money comes from</li> <li>• receipts from local sources</li> </ul>
095		<ul style="list-style-type: none"> <li>• how money is spent at the local level</li> <li>• Albany's backlog of maintenance and preservation needs</li> </ul>
123	Chair Shannon	In response to Albany's 72 percent increase in gas tax funding, states an article in <i>The Oregonian</i> indicated the gas tax has increased 217 percent in the last 11 years.
130	Yeager	Clarifies he is trying to show how the increase in dollars is related to the miles of streets to maintain and the corresponding increase in inflation. Continues flip chart presentation. <ul style="list-style-type: none"> <li>• street system funding--street system in Albany worth \$260 million</li> <li>• project categories</li> </ul> Explains signs and signals, street lights, and street sweeping consume one third of Albany's operating budget. States there are many services for an urban street system that may not apply to a county road or the state highway system.
165		<ul style="list-style-type: none"> <li>• funding for preservation projects</li> <li>• project categories</li> </ul>
180		<ul style="list-style-type: none"> <li>• street maintenance efficiencyócontracted services and intergovernmental agreements</li> </ul>
204	Chair Shannon	Requests the witness use the microphone because of audio problems.
211	Yeager	Continues flip chart presentation. <ul style="list-style-type: none"> <li>• preservation costs for neighborhood and major streets</li> </ul>
237	Yeager	<ul style="list-style-type: none"> <li>• current street conditions (1995-1996)</li> </ul> Albany focuses its energy on maintaining and repairing streets that have drainage systems, curbs and gutters, and are paved roads.

		<ul style="list-style-type: none"> <li>Streets in fair or better condition</li> <li>annual revenue needs chart <b>[EXHIBIT B]</b></li> <li>\$1.9 million funding gap per year</li> </ul>
255	Yeager	Refers to annual revenue needs. Explains the problem in Albany is two-pronged. There is a backlog of streets needs. States the mayor's street maintenance funding task force requested the annual cost of keeping streets in fair or better condition and a comparison of the costs with current revenues. The mayor's task force suggested a series of property tax-funded bonds and one bond was approved.
281	Yeager	<p>Summarizes the flip chart presentation <b>[EXHIBIT B]</b>.</p> <ul style="list-style-type: none"> <li>inconsistent and insufficient funding</li> <li>annual funding gap</li> <li>current backlog of street needs</li> <li>invest 1 percent value annually</li> <li>backlog of streets will grow</li> <li>annual funding gap grows</li> </ul>
308	Vice Chair Yih	Clarifies the citizens in Albany approved a serial levy for street maintenance and improvements.
	Yeager	Explains it was a \$10 million property tax bond to fund the construction of four specific Albany streets. States it represents approximately 25 percent of their backlog needs.
323	Vice Chair Yih	Asks if the city will have a levy every four years.
	Yeager	States that is the recommendation of the funding task force. Comments on gaining the voters' confidence.
336	Vice Chair Yih	Asks if the city's immediate problem has been solved.
	Yeager	States they have made steps in dealing with the backlog. Indicates the city council needs to deal with how they will get an increase in annual revenues needed to maintain those streets once they are brought back into shape.
350	Sen. Castillo	Thanks the witnesses for their testimony. Believes they did a great job of emphasizing the importance of continuing investments in streets and roads. Thanks them for stressing the difficulty to keep up.
362	Chair Shannon	References remarks made by an Oregon Transportation Commission member about three senators who do not want to deal with roads. States her caucus' commitment to roads at the city, county, and state levels.
386	Barenberg	Explains Albany was chosen for their presentation because of two dynamics—pressures of growth and maintaining existing systems. States Albany is an economically distressed area and is trying to make necessary improvements to support growth and economic development to maintain a viable community. Responding to Sen. Duke's comments regarding city, county, and state road system needs, states there is a substantial need statewide in the city system. States the Road Finance Study showed the cities have \$71 million annual shortfall. LOC did a survey and received responses from cities representing over 70 percent of the population. Responses showed there is a \$75 million shortfall for maintenance and raising streets to reasonable standards in the existing system. There is an unmet capital need of \$200 million a year. Will supply committee members with survey information for their districts. Emphasizes Yeager's remarks about cities doing their share to raise money locally and why it is becoming more difficult to do so.

		States the League of Oregon Cities supports Associated Oregon Industries' legislative proposal. Comments on their special program for small cities with populations below 5000.
<b>Tape 2, B</b>		
054	Sen. Castillo	Asks if the small cities program is already in existence.
	Barenberg	States it is and they would like to double it in the future.
057	Sen. Ferrioli	States the increased revenue formula for cities and counties in last session's transportation package was flawed. States the formula may be the key to resolving some of the issues cities and counties are encountering. Requests the committee address a change in the legislative formula to direct appropriation rather than revenue sharing through the ODOT.
068	Sen. Dukes	Requests the League of Oregon cities do a needs assessment of rail, transit, and aeronautics for cities in addition to roads.
073	Barenberg	States the league supports trying to meet the unmet needs in those areas. States they will work with transit associations and Aeronautics.
	Sen. Dukes	States she has an idea of the state's needs, but not the cities' needs.
081	Chair Shannon	Extends thanks to Commissioner McClure for appearing before the committee. Declares the meeting adjourned at 4:40 p.m.

**Submitted By, Reviewed By,**

**Valerie Luhr, Don Scott,**

**Administrative Support Administrator**

### **EXHIBIT SUMMARY**

**A ñ Informational meeting, written information, Bill Penhollow and Steve McClure, 11 pp.**

**B ñ Informational meeting, written information, Dave Barenberg, Mark Yeager, Joanne Verger, 7 pp.**

**C ñ Organizational meeting, proposed committee rule, staff, 2 pp.**